



STATE OF ILLINOIS
EXECUTIVE OFFICE OF THE GOVERNOR
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
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FISCAL YEAR 2022 THIRD QUARTER FINANCIAL REVIEW

THIRD QUARTER RESULTS

Fiscal Year 2022's (FY22) third quarter saw a year-over-year increase of \$1,898 million in base general funds revenues due to strong receipts from individual and corporate income taxes. Third quarter expenditures increased by \$616 million compared to FY21 third quarter expenditures.

Detailed third quarter and year-to-date information is presented on the following pages.

THIRD QUARTER REPORT HIGHLIGHT: INDIVIDUAL INCOME TAXES

First enacted in 1969, individual income taxes account for around 50% of all resources into the State's general funds. Individual income taxes (IIT) are imposed on the taxable income of individuals, trusts and estates at a rate of 4.95% based on the taxpayer's federal adjusted gross income. Several taxable items are added or subtracted to a taxpayer's base income depending on the currently enacted state and federal tax law. Credits further reduce tax liabilities based on specific eligibility. Once paid to the state, gross IIT receipts are distributed as follows: an initial percentage, set by statute each year through formula or by specifically naming a rate in statute, to the Income Tax Refund Fund to pay taxpayer refunds (9.25% in FY22); of the remainder, 6.06% to the Local Government Distributive Fund (increases to 6.16% beginning with FY23); and the remaining amounts are deposited to the general funds (7.3% to the Education Assistance Fund, 3.3% each to the Fund for the Advancement of Education and the Commitment to Human Services Fund, and the rest to the General Revenue Fund).

ILLINOIS ECONOMIC INDICATORS

According to the Illinois Department of Employment Security, the State's unemployment rate continued its decline from its historical high of 16.5% in April 2020 to a current rate of 4.7% (seasonally adjusted) in March 2022. Year-over-year, total nonfarm jobs increased in thirteen metropolitan areas. The industries that saw job growth include Professional & Business Services, Leisure & Hospitality, and Financial Activities. The Chicago-Naperville-Arlington Heights Metropolitan Division saw the largest unemployment rate decrease year-over-year.

Prices in the Chicago-Naperville-Elgin area, as measured by the Consumer Price Index for all Urban Consumers (CPI-U), increased 1.4% in March according to the U.S. Bureau of Labor Statistics. CPI-U is a measure that examines the weighted average of a basket of consumer goods and services for urban consumers. Changes in the CPI-U are used to assess the cost of living in highly populated areas. Food prices increased 1.4%, while the energy index rose 12% over the month largely due to gasoline prices. Over the last twelve months, CPI-U rose 7.8%. CPI-U for all items less food and energy increased 0.3% in March following a 5.3% increase over the year.

The effects of inflation have not dissuaded consumers to spend less on durable goods and services. U.S. consumer spending beat expectations by increasing to 1.1% in March 2022. Consumer spending accounts for nearly two-thirds of economic activity. Strong consumer spending showcases an underlying strength in the economy.

GENERAL FUNDS OVERVIEW

GENERAL FUNDS CASH FLOW Third Quarter and Year-to-Date Review

(\$ in millions)

	Third Quarter		Year-to-date	
	FY21 Actual	FY22 Actual	FY21 Actual	FY22 Actual
Beginning Backlog at Comptroller	\$ (4,547)	\$ (3,261)	\$ (4,856)	\$ (2,204)
Beginning Cash Balance	\$ 722	\$ 625	\$ 531	\$ 975
Revenues				
Individual Income Tax	\$ 5,744	\$ 7,094	\$ 15,484	\$ 16,457
Corporate Income Tax	433	761	1,891	2,863
Sales Tax	2,139	2,323	6,746	7,572
Other Sources/Transfers In	1,323	1,359	3,551	3,944
State Source Revenues	\$ 9,639	\$ 11,537	\$ 27,672	\$ 30,836
Federal Sources	791	1,355	3,774	3,551
Interfund Borrowing	0	0	0	0
Short Term Borrowing	0	0	1,998	0
Investment Borrowing	0	0	400	0
ARPA Reimbursement for Government Services	0	0	0	439
Total Revenues	\$ 10,430	\$ 12,892	\$ 33,844	\$ 34,826
Expenditures				
Current Year Vouchers	\$ 9,717	\$ 10,333	\$ 29,019	\$ 30,019
Prior Year Vouchers	0	0	1,545	1,920
Subtotal, Vouchers Presented	\$ 9,717	\$ 10,333	\$ 30,564	\$ 31,939
Posted Transfers Out	74	42	366	359
Transfer to GO Bond Debt Service Fund	418	93	1,435	761
Transfer to Repay Interfund Borrowing	5	916	17	932
Investment Borrowing Repayments	0	0	402	0
Short Term Borrowing Repayments	445	302	805	1,052
Prior Year Adjustments	(20)	(17)	(36)	(30)
Total Expenditures	\$ 10,640	\$ 11,669	\$ 33,554	\$ 35,012
End of Quarter Cash Balance	\$ 697	\$ 1,168	\$ 697	\$ 1,168
End of Quarter Backlog at Comptroller	\$ (4,731)	\$ (2,581)	\$ (4,731)	\$ (2,581)

Source: Illinois Office of the Comptroller

Note: Backlog figures do not include bills held at agencies. For information on bills held at agencies please refer to the Backlog Report at budget.illinois.gov or the Office of the Comptroller's Debt Transparency Report.

GENERAL FUNDS CASH FLOW Comparison: Projected versus Actual

(\$ in millions)

	Third Quarter	
	Projected	Actual
Cash Balance, Beginning	\$ 625	\$ 625
Receipts	\$ 12,184	\$ 12,891
IIT	6,277	7,094
CIT	709	761
Sales	2,311	2,323
Other Sources	949	957
Transfers In	422	402
Interfund Borrowing	-	-
Investment Borrowing	-	-
Federal Sources	1,266	1,355
ARPA Reimbursement	250	-
Certificate Proceeds	-	-
Cash Expenditures	(12,215)	(12,046)
Short-Term Borrowing Repayment	(302)	(302)
Cash Balance, Ending	\$ 594	\$ 1,168

GENERAL FUNDS REVENUES SUMMARY

GENERAL FUNDS REVENUES Third Quarter and Year-to-Date Review

(\$ in millions)

	Third Quarter		Change: FY21 Actual to FY22 Actual		Year-to-Date		Change: FY21 Actual to FY22 Actual	
	FY21 Actual	FY22 Actual	Dollar Change	Percent Change	FY21 Actual	FY22 Actual	Dollar Change	Percent Change
Gross Individual Income Tax	\$ 6,719	\$ 8,322	\$ 1,602	23.8%	\$ 18,113	\$ 19,303	\$ 1,190	6.6%
Income Tax Refund Fund	(605)	(770)	(165)	27.3%	(1,630)	(1,786)	(10)	0.6%
Local Government Distributive Fund Deposit	(371)	(458)	(87)	23.5%	(999)	(1,062)	(24)	2.4%
Net Individual Income Tax	\$ 5,744	\$ 7,094	\$ 1,350	23.5%	\$ 15,484	\$ 16,457	\$ 973	6.3%
Gross Corporate Income	\$ 541	\$ 961	\$ 420	77.8%	\$ 2,362	\$ 3,617	\$ 1,255	53.1%
Income Tax Refund Fund	(76)	(144)	(68)	90.3%	(331)	(543)	(212)	63.9%
Local Government Distributive Fund Deposit	(32)	(56)	(24)	75.4%	(139)	(211)	(71)	51.2%
Net Corporate Income Tax	\$ 433	\$ 761	\$ 328	75.8%	\$ 1,891	\$ 2,863	\$ 972	51.4%
Gross Sales Tax	\$ 2,289	\$ 2,532	\$ 243	10.6%	\$ 7,022	\$ 8,014	\$ 991	14.1%
Downstate Public Trans/Public Trans Deposits	(150)	(209)	(59)	39.2%	(276)	(442)	(165)	59.9%
Net Sales Tax	2,139	2,323	184	8.6%	6,746	7,572	826	12.2%
Public Utility	223	217	(6)	(2.7%)	576	565	(11)	(1.9%)
Cigarette	57	55	(2)	(3.5%)	207	192	(15)	(7.2%)
Inheritance	168	124	(44)	(26.2%)	379	433	54	14.2%
Liquor	42	42	0	0.0%	134	140	6	4.5%
Insurance	94	118	24	25.5%	346	305	(41)	(11.8%)
Corporate Franchise	100	50	(50)	(50.0%)	258	162	(96)	(37.2%)
Investment Income	5	5	0	0.0%	46	11	(35)	(76.1%)
Cook County IGT	244	244	0	0.0%	244	244	0	0.0%
Other	59	102	43	72.9%	181	244	63	34.8%
TOTAL STATE REVENUES	\$ 9,308	\$ 11,135	\$ 1,827	19.6%	\$ 26,492	\$ 29,188	\$ 2,696	10.2%
Federal Revenues	\$ 791	\$ 1,355	\$ 564	71.3%	\$ 3,774	\$ 3,551	\$ (223)	(5.9%)
Transfers In	\$ 331	\$ 402	\$ 71	21.5%	\$ 1,180	\$ 1,648	\$ 468	39.7%
Lottery	195	182	(13)	(6.7%)	556	591	35	6.3%
Gaming/Gaming Taxes	0	26	26	0.0%	0	112	112	100.0%
Adult-Use Cannabis	20	31	11	55.0%	45	84	39	86.7%
Interfund Borrowing	0	0	0	0.0%	0	0	0	0.0%
Other	116	163	47	40.5%	579	861	282	48.7%
SUBTOTAL REVENUES	\$ 10,430	\$ 12,892	\$ 2,462	23.6%	\$ 31,446	\$ 34,387	\$ 2,941	9.4%
Investment Borrowing	0	0	0	0.0%	400	0	(400)	(100.0%)
Municipal Liquidity Facility	0	0	0	0.0%	1,998	0	(1,998)	(100.0%)
ARPA Reimbursement for Government Services	0	0	0	100.0%	0	439	439	100.0%
TOTAL REVENUES	\$ 10,430	\$ 12,892	\$ 2,462	23.6%	\$ 33,844	\$ 34,826	\$ 982	2.9%

Source: Illinois Office of the Comptroller

Fiscal Year 2021 Gross Individual Income Tax includes \$1,737 million and Gross Corporate Income Tax includes \$48.7 million in amnesty payments.

Income Taxes: FY22 year-to-date (YTD) Individual Income Tax net receipts increased by \$973 million, or 6.3% from FY21 due to strong receipts from withholdings. FY22 YTD Corporate Income Tax (CIT) net receipts increased by \$972 million, or 51.4%, from the FY21 level due to strong corporate profits. \$1,272 million of income taxes were directly deposited into the Local Government Distributive Fund through the third quarter of FY22.

Sales Taxes: FY22 YTD Sales Tax net receipts increased by \$826 million, or 12.2%, from the FY21 YTD level.

Federal Revenues: FY22 YTD Federal Revenues decreased by \$223 million, or 5.9%, compared to the FY21 YTD level due to federal matches on reimbursable spending.

Transfers In: FY22 YTD Transfers In increased by \$468 million, or 39.7%, compared to the FY21 YTD level. This increase is due in part to \$112 million in transfers from the State Gaming Fund, up from \$0 through the third quarter of FY21 and \$591 million from the State Lottery Fund, up \$35 million, or 6.3% from the FY21 YTD level.

GENERAL FUNDS REVENUES BUDGETED VERSUS ACTUALS SUMMARY

The table below sets forth General Funds year-to-date budgeted revenues versus year-to-date actual revenues for FY22. Total State Revenues (not including Transfers In) were \$954 million, or 3.4%, above the February 2022 budgeted level. Federal revenues were \$19 million, or 0.5%, above the February 2022 budgeted level.

GENERAL FUNDS REVENUES				
Year-to-Date Budgeted versus Actual				
	(\$ in millions)			
	FY22 YTD Budgeted*	FY22 YTD Actual	Dollar Change	Percent Change
Gross Individual Income Tax	\$ 18,332	\$ 19,304	\$ 972	5.3%
Income Tax Refund Fund	(1,696)	\$ (1,786)	(90)	5.3%
Local Government Distributive Fund Deposit	(1,008)	\$ (1,062)	(53)	5.3%
Net Individual Income Tax	\$ 15,628	\$ 16,457	\$ 829	5.3%
Gross Corporate Income	\$ 3,547	\$ 3,617	\$ 69	2.0%
Income Tax Refund Fund	(532)	(543)	(11)	2.1%
Local Government Distributive Fund Deposit	(207)	(211)	(4)	2.0%
Net Corporate Income Tax	\$ 2,809	\$ 2,863	\$ 54	1.9%
Gross Sales Tax	\$ 7,922	\$ 8,014	\$ 91	1.1%
Downstate Public Trans/Public Trans Deposits	(420)	(442)	(21)	5.1%
Net Sales Tax	\$ 7,502	\$ 7,572	\$ 70	0.9%
Public Utility	569	565	(4)	(0.7%)
Cigarette	194	192	(2)	(1.0%)
Inheritance	382	433	51	13.4%
Liquor	141	140	(1)	(0.7%)
Insurance	322	305	(17)	(5.3%)
Corporate Franchise	183	162	(21)	(11.3%)
Investment Income	12	11	(1)	(8.3%)
Cook County IGT	244	244	0	0.0%
Other	248	244	(4)	(1.5%)
TOTAL STATE REVENUES	\$ 28,234	\$ 29,188	\$ 954	3.4%
Federal Revenues	\$ 3,532	\$ 3,551	\$ 19	0.5%
Transfers In	\$ 1,679	\$ 1,648	\$ (31)	(1.9%)
Lottery	601	591	(10)	(1.7%)
Gaming/Gaming Taxes	128	112	(16)	(12.5%)
Adult-Use Cannabis	82	84	2	2.4%
Other	868	861	(7)	(0.8%)
SUBTOTAL REVENUES	\$ 33,445	\$ 34,387	\$ 942	2.8%
Investment Borrowing	0	0	0	0.0%
Short Term Borrowing	0	0	0	0.0%
ARPA Reimbursement for Government Services	689	439	(250)	(36.3%)
TOTAL REVENUES	\$ 34,133	\$ 34,826	\$ 693	2.0%

Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget

*Budgeted figures are based on historical averages as well as information from the Department of Revenue on timing of income tax deposits. Estimates were compiled in February 2022.

Income Taxes: Individual Income Tax net receipts through the third quarter were \$829 million, or 5.3%, higher than budgeted levels. Corporate Income Tax net receipts through the third quarter were \$54 million, or 1.9%, higher than the budgeted levels.

Sales Taxes: Sales Tax net receipts through the third quarter were \$70 million, or 0.9%, higher than the budgeted levels.

Transfers In: Transfers In through the third quarter were \$31 million, or 1.9%, lower than budgeted levels.

OUTLOOK FOR FUTURE GENERAL FUNDS REVENUES

The table below sets forth the future outlook for General Funds revenues for FY22. The table below reflects anticipated revenues to be received compared against year-to-date collections.

PROJECTED GENERAL FUNDS REVENUES			
Year-to-Date Actuals versus Annual Forecast			
(\$ in millions)			
	FY22 YTD Actual	FY22 Annual Forecast*	Remainder of Forecast*
Receipts	\$ 34,387	\$ 46,294	\$ 11,907
IIT	16,457	21,512	5,055
CIT	2,863	4,698	1,835
Sales	7,572	10,036	2,464
Other Sources	2,296	3,161	865
Transfers In	1,648	2,100	452
Federal Sources	3,551	4,786	1,235
Total State Revenues	34,387	46,294	11,907

Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget

*Fiscal year 2022 forecast was updated in February 2022 using historical averages, national and regional economic activity data, and tax-related information provided by the Department of Revenue.

Through the third quarter of FY22, total State General Funds revenues have performed well against the revised February 2021 annual revenue forecast. The November 2021 annual revenue forecast of \$44.082 billion was revised upwards to \$46.293 billion due to strength in key fundamentals. Year-to-date, the top three sources of General Funds revenues (Individual and Corporate Income Taxes and Sales Tax), which account for 76% of total revenues, have continued to perform well against forecasted amounts.

Net individual income taxes, which account for 43% of total base state revenues, lead the annual estimate by 5.3%. Net corporate income taxes, which account for 10% of total base state revenues, lead the annual estimate by 1.9%. Net sale tax, which account for 24% of total base state revenues, lead the annual estimated by 0.9%. Combined total revenue collections lead the annual estimated forecast by 3.7%.

Key leading national and state economic indicators are trending towards a positive future outlook. Annual forecasts can be recalculated if major changes to the national state and economic conditions occur or if actual revenue performance does not meet current expectations. At this time, OMB anticipates an upward revision to their annual revenue forecast.

GENERAL FUNDS EXPENDITURES SUMMARY

The table below sets forth FY21 and FY22 third quarter and year-to-date General Funds spending from appropriations for those fiscal years. General Funds expenditures for the third quarter of FY22 totaled \$10,333 million, an increase of \$616 million, or 6.3%, from the FY21 level.

GENERAL FUNDS EXPENDITURES				
Third Quarter and Year-to-Date Review				
(\$ in millions)				
Agency	Third Quarter		Year-to-Date	
	FY21 Actual Spending	FY22 Actual Spending	FY21 Actual Spending	FY22 Actual Spending
Constitutional Officers ¹	\$ 81	\$ 84	\$ 245	\$ 254
DHFS	1,970	2,000	5,499	5,830
ISBE	2,394	2,438	6,386	6,570
DHS	1,007	1,010	2,941	2,920
Higher Education	409	450	1,715	1,761
SERS	382	401	1,224	1,220
TRS	1,383	1,531	3,958	4,372
SURS	667	697	1,549	1,633
Corrections	381	364	1,034	1,003
CMS	159	395	1,766	1,625
DCFS	251	267	731	758
Aging	252	298	665	711
ISP	64	61	194	197
Revenue	12	12	33	34
DPH	29	22	79	88
DNR	9	13	30	30
DCEO	5	7	10	12
All Others	261	283	961	999
Agency Totals	\$ 9,717	\$ 10,333	\$ 29,019	\$ 30,019

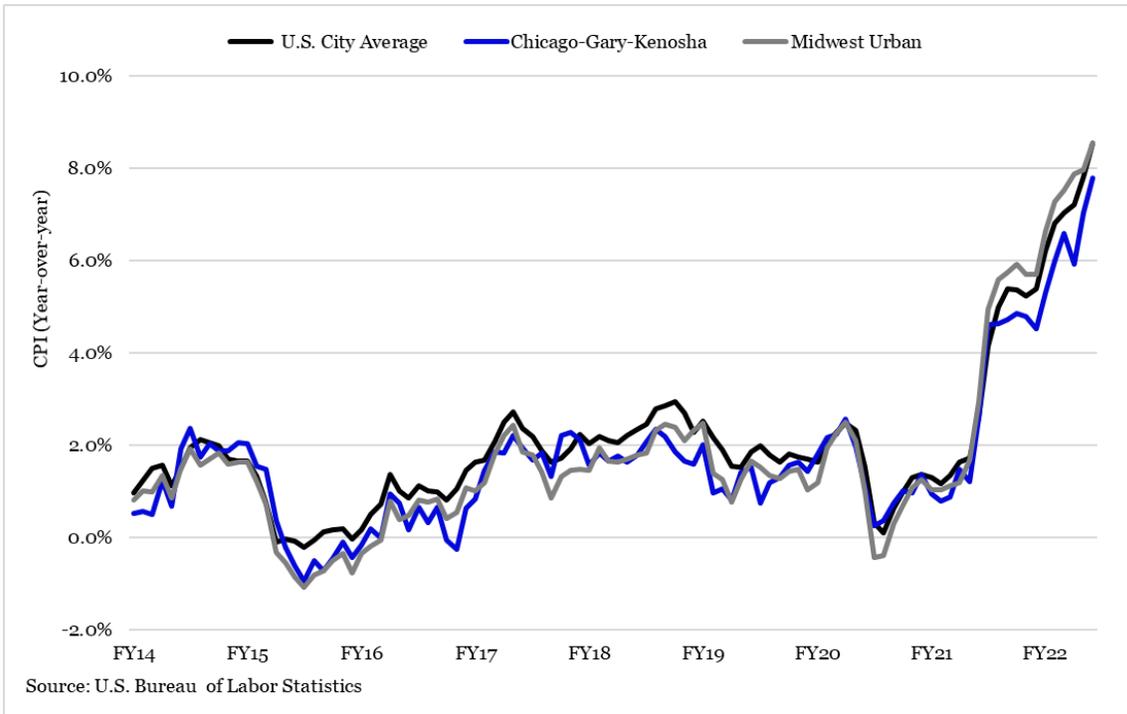
Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget. Totals may not add due to rounding.

Note: Lapse period spending is not included in this table.

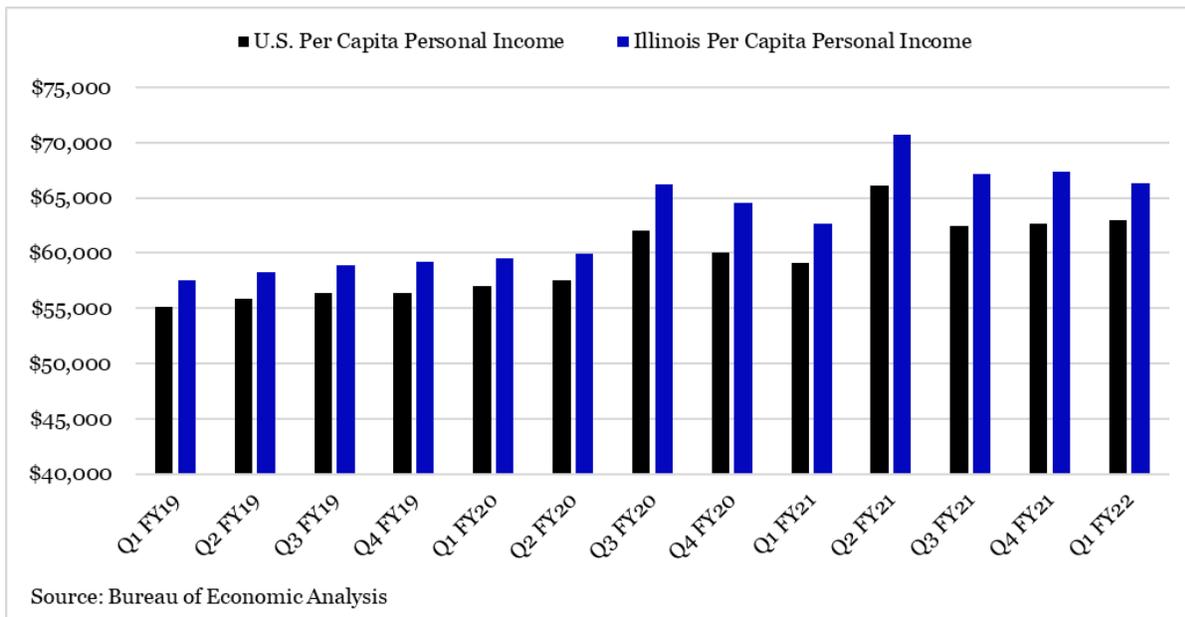
¹ Constitutional Officers exclude Auditor General.

KEY ECONOMIC INDICATORS

The graph below shows the year-over-year increase in the Consumer Price Index (CPI) for All Urban Consumers, all items, in the U.S., Chicago metropolitan area, and Midwest from July FY14 to March FY22. In March FY22, the U.S. city average CPI increased 8.5% year-over-year. The CPI for Chicago metropolitan area increased 7.8% and the CPI for Midwest region increased 8.6%.



The graph below compares the per capita personal income between the U.S. and Illinois from the first quarter of FY19 to the second quarter of FY22. The U.S. per capita personal income increased \$318 or 0.5% from \$62,666 in the first quarter of FY22 to \$62,985 in the second quarter of FY22. Year-over-year, U.S. per capita personal income increased \$3,916 or 6.6%. In Illinois, per capita personal income decreased by \$1,101 or 1.6% from \$67,411 in the first quarter of FY22 to \$66,310 in the second quarter of FY22. Year-over-year, Illinois per capita personal income increased \$3,680 or 5.9%.



EMPLOYMENT HIGHLIGHTS

The table below shows recent Illinois and national employment highlights. Nationally, the unemployment rate in March of FY22 was 3.6%, down from 6.0% during the same period last fiscal year. Illinois' unemployment rate of 4.7% in March of FY22 reflected a decrease of 2.0 percentage points from the state's unemployment rate of 6.7% during the same period last fiscal year.

Additionally, total nonfarm employment in Illinois increased by 241,200 year-over-year in March, led by increases in Professional & Business Services, Leisure & Hospitality, and Financial Activities.

EMPLOYMENT HIGHLIGHTS State and National Review

EMPLOYMENT STATISTICS	<u>January FY21</u>	<u>January FY22</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	5,579,700	5,841,800	262,100
Unemployment Rate, Illinois	6.4%	4.0%	(2.4)
Unemployment Rate, United States	7.7%	4.6%	(3.1)
Labor Force Participation Rate, Illinois	61.8%	64.1%	2.3
Labor Force Participation Rate, United States	61.4%	62.2%	0.8

EMPLOYMENT STATISTICS	<u>February FY21</u>	<u>February FY22</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	5,626,400	5,886,100	259,700
Unemployment Rate, Illinois	7.3%	5.0%	(2.3)
Unemployment Rate, United States	6.2%	3.8%	(2.4)
Labor Force Participation Rate, Illinois	62.1%	64.2%	2.1
Labor Force Participation Rate, United States	61.5%	62.3%	0.8

EMPLOYMENT STATISTICS	<u>March FY21</u>	<u>March FY22</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	5,689,900	5,931,100	241,200
Unemployment Rate, Illinois	6.7%	4.7%	(2.0)
Unemployment Rate, United States	6.0%	3.6%	(2.4)
Labor Force Participation Rate, Illinois	62.2%	64.5%	2.3
Labor Force Participation Rate, United States	61.5%	62.4%	0.9

Source: Illinois Department of Employment Security and United States Department of Labor.

ILLINOIS REAL ESTATE

The Illinois housing market continues an upward trend up with faster home sales and higher median prices in March. The time it took to sell a home in March averaged 36 days, down from 46 days last year. Available inventory totaled 13,748 homes for sale. The statewide median price was up 4.6% from last year.